

## Summary of Proposed Accountability System Reforms

CURRENT	PROPOSED
<b>SBCCC Title I, Chapter G. Full-Time Equivalent (FTE)</b> <ul style="list-style-type: none"> <li>FTE are currently calculated based on the literal number of hours and minutes of instruction provided.</li> </ul>	<ul style="list-style-type: none"> <li>To significantly simplify FTE calculations, calculate FTE based on a standard number of instructional units for a defined amount of instructional content (i.e. a class), where possible.</li> </ul>
<b>Purpose of Audits</b> <ul style="list-style-type: none"> <li>Per G.S. 115D-5(m): “The purpose of the annual audit shall be to ensure that college programs and related fiscal operations comply with State law, State regulations, State Board policies, and System Office guidance.”</li> </ul>	<ul style="list-style-type: none"> <li>Amend G.S. 115D-5(m) to state: “The purpose of the compliance review shall be to ensure that data used to allocate State funds among colleges is reported accurately to the System Office and that colleges are charging and waiving tuition and fees consistent with law.”</li> </ul>
<b>Frequency</b> <ul style="list-style-type: none"> <li>Per G.S. 115D-5(m), program audits are required to be conducted annually for all 58 colleges.</li> </ul>	<ul style="list-style-type: none"> <li>The State Board would adopt rules governing the frequency of compliance reviews.</li> <li>Initially conduct compliance reviews every other year, unless a review has material findings or the college voluntarily requests an annual review.</li> </ul>
<b>Materiality</b> <ul style="list-style-type: none"> <li>Reversion of funds is required when the sum of the curriculum instructional hours with identified issues exceeds 512.</li> <li>Reversion of funds is required when the sum of the non-curriculum instructional hours with identified issues exceeds 688.</li> </ul>	<ul style="list-style-type: none"> <li>Adopt rules establishing a systemwide standard of materiality that acknowledges a certain level of error is inherent and considers errors in context of college size.</li> <li>Require reversion of funds when the sum of instructional hours with identified issues exceeds a certain percentage of total instructional hours.</li> <li>Continue to have zero-tolerance policy on fraudulent FTE.</li> <li>Suspend error-related reversions during the first compliance review cycle while standard of materiality is being developed and tested.</li> </ul>
<b>Scope of Audits</b> <ul style="list-style-type: none"> <li>The scope of what program audits specifically review in a given year has sometimes changed, and it is unclear what formal process should be followed to make such changes.</li> </ul>	<ul style="list-style-type: none"> <li>Adopt rules that establishes what compliance reviews will specifically review to fulfill the statutory purpose.</li> <li>If it is necessary in the future to change the specific items of review to fulfill the statutory purpose, the State Board would have to go through the rule-making process to make those changes.</li> </ul>
<b>Class Visits</b> <ul style="list-style-type: none"> <li>Program auditors currently conduct class visits.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance examiners would not conduct class visits unless specifically requested by the college president or as part of a compliance review following up on material findings.</li> <li>Colleges would be required to meet State Board-established minimum standards for conducting “internal” class visits for continuing education classes.</li> </ul>

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<b>Review Method</b> <ul style="list-style-type: none"> <li>• Current process is paper-intensive.</li> <li>• Program auditors usually take records off campus for review.</li> </ul>	<ul style="list-style-type: none"> <li>• Change process so that no class/student records are removed from campus for review.</li> <li>• Prioritize the development of electronic-based compliance review processes. Develop business requirements for needed IT functionality in conjunction with development of revised FTE rules.</li> </ul>
<b>Period of Review</b> <ul style="list-style-type: none"> <li>• Audit covers period of prior budget FTE “counting period” <ul style="list-style-type: none"> <li>○ CU: Summer, Fall, Spring (for example, an audit conducted in 2013-2014 would review 2012-13 academic year and prior summer)</li> <li>○ CE: Spring, Summer, Fall (for example, an audit conducted in 2013-2014 would review 2012 calendar year)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• To improve timeliness, compliance reviews should cover the Summer, Fall, and Spring academic terms of the prior year for all instructional program areas (curriculum, continuing education, and basic skills).</li> <li>• However, if a compliance review has material findings, the remedy (i.e. reversion of funds vs. adjustment of hours) may be different based on the timing of the review and program area.</li> </ul>
<b>Sampling</b> <ul style="list-style-type: none"> <li>• Current sampling method may be causing auditors to “over-sample” (i.e. review more records than necessary).</li> <li>• Current sampling method needs to be revisited to meet statutory requirement for being statistically valid.</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire external expertise to provide guidance on how to pull a statistically valid, risk-based sample.</li> <li>• Determine whether the number of records reviewed can be reduced and the sample remain valid.</li> </ul>
<b>Oversight</b> <ul style="list-style-type: none"> <li>• The State Board Accountability and Audit Committee hears college appeals and reports on program audit activity.</li> <li>• The Program Audit Task Force discusses and tries to resolve specific audit concerns identified by colleges.</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt rules establishing a Compliance Review Advisory Committee consisting of college representatives.</li> <li>• Document the role of State Board Accountability and Audit Committee regarding compliance reviews, including continued review of college appeals.</li> </ul>
<b>Roles and Responsibilities</b> <ul style="list-style-type: none"> <li>• Program auditors have historically answered college questions that require policy interpretations.</li> </ul>	<ul style="list-style-type: none"> <li>• Programmatic staff would have the authority and responsibility to provide policy guidance to colleges and identify when SBCCC changes are necessary to ensure policy clarity.</li> <li>• Compliance staff would follow interpretations made by programmatic staff.</li> </ul>
<b>Accountability System Name</b> <ul style="list-style-type: none"> <li>• Colleges undergo “program audits” conducted by “auditors” in the “Audit Services Section” of the System Office.</li> </ul>	<ul style="list-style-type: none"> <li>• To underscore that the System’s accountability function is being reimagined, colleges would undergo “compliance reviews” conducted by “compliance examiners” in the “Compliance Services Section” of the System Office.</li> </ul>